



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

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COMMITTEE ASSIGNMENTS:
Health Welfare and Institutions (*Chair*)
Appropriations (*Vice Chair*)
Education

October 29, 2008

Mr. Patrick W. Finnerty, Director
Department of Medical Assistance Services
600 East Broad Street
Richmond, VA 23219

RE: Procurement – RFP No. 2008-02 MMIS Takeover

Dear Director Finnerty:

As Chairman of the Health, Welfare and Institutions Committee and Vice-Chairman of Appropriations, I am writing concerning the Request for Proposal (RFP) No. 2008-02 for Fiscal Agent Service released on August 13, 2008. Based on my review of the RFP, this procurement appears to be nothing more than a takeover of the current First Health contract with some minor enhancements.

I have also learned that First Health has announced its intention to exit the fiscal agent business, selling its Virginia "incumbency advantage" to CSC. Given this information, I have some concerns given the state of the Commonwealth's budget along with the national economy.

- Does our current system have the flexibility to support a Medicaid reform initiative around the Deficit Reduction Act to balance cost efficiency with better health outcomes in our near-future?
- Has DMAS looked at the system capabilities for future Federal requirements such as ICD-10 and HIPAA 5010? Will those requirements deem a change order or modification to the current system for compliance?

If the answer to the first two questions is "NO", would it make sense or be possible to reduce the base term of the resulting contract from 4 years to 2? Such an action would increase the optional period and provide the Commonwealth more possibilities for implementing additional Medicaid reforms and conforming to future Federal requirements.

- Does the current RFP provide an “incumbency advantage” for CSC thereby reducing competition in the procurement process and make the Commonwealth vulnerable to potentially excessive administrative cost escalation?
- Given the unique circumstances surrounding the incumbent contractor, has DMAS considered permitting all bidders to bid incumbent staff members? If so, has the Department disseminated such incumbent knowledge to all bidders?

As you can tell from my questions, I have concerns that the RFP for this procurement may lead to less competition, higher administrative costs, and unnecessarily decrease flexibility during the economic downturn.

As always, I welcome your response to these questions and your insights about this issue.

Sincerely,

Phillip Hamilton

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